

Message Text

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ORIGIN EUR-03

INFO OCT-01 ISO-00 /004 R

66011

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APPROVED BY: EUR/RPM:COL ROBINSON

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FM SECSTATE WASHDC

TO USMISSION NATO IMMEDIATE

C O N F I D E N T I A L STATE 127876

HOLD FOR OPENING OF BUSINESS

FOLLOWING REPEAT OTTAWA 2027 ACTION SECSTATE INFO DIA AFIS
COMNAVINTCOM 19 MAY

QUOTE

C O N F I D E N T I A L OTTAWA 2027

DIA PASS SECDEF

E.O. 11652: GDS

TAGS: MILI, CA

SUBJ: LOCKHEED LRPA CONTRACT CANCELLATION

REF: OTTAWA 2017

SUMMARY: GOS AND LOCKHEED OFFICIALS HAVE BEGUN TO
EXPLORE WAYS OF STRETCHING OUT LRPA FINANCING TO REDUCE
ANNUAL BUDGETARY BURDEN. END SUMMARY.

1. LOCKHEED REPRESENTATIVES WILSON AND KALEMBER MET WITH
LRPA PROGRAM MANAGER BRIG. GEN. ALLEN, AND LATER WITH
DEFENSE DEP MINISTER NIXON, AFTERNOON OF MAY 19, TO
EXPLORE FEASIBILITY OF CONSTRUCTING A NEW FINANCIAL
PROFILE FOR LRPA WHICH WOULD FIT INTO THE GOC'S FISCAL
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FRAMEWORK AND NOT IMPACT AS HEAVILY ON FIRST TWO YEARS

OF PROGRAM.

2. AS REPORTED REFTEL, MINDEF RICHARDSON AND CABINET SECRETARY PITTFIELD AUTHORIZED NIXON AND ALLEN TO EXPLORE THIS POSSIBILITY WITH LOCKHEED BUT WITH THE FOLLOWING GUIDELINES:

(A) THE \$40 MILLION IN THE REVOLVING DEFENSE PRODUCTION FUND WOULD NOT BE AVAILABLE FOR FUNDING THIS PROJECT (AS DEFENSE HAD PREVIOUSLY PLANNED);

(B) ONE TO TWO YEAR SLIPPAGE IN OVERALL TIME-TABLE WOULD BE ACCEPTABLE;

(C) TOTAL COST OF PACKAGE COULD BE INCREASED BY AS MUCH AS \$100 MILLION.

3. WILSON TOLD EMBASSY NAVAL ATTACHE THAT WITHDRAWAL OF THE \$40 MILLION REVOLVING FUND MADE THE FRONT END FINANCING A TOUGH PROBLEM. LOCKHEED TEAM, INCLUDING FINANCIAL VICE PRESIDENT ROY ANDERSON, IS ARRIVING IN OTTAWA EVENING OF MAY 19 TO UNDERTAKE DETAILED ESTIMATES.

4. COMMENT: POSSIBILITY OF INCREASING TOTAL COST OF PACKAGE BY \$100 MILLION IS ENCOURAGING, BUT WE AGREE WITH WILSON THAT THE FRONT END FINANCING IS STILL TOO TIGHT, REGARDLESS OF HOW THE TIMETABLE IS ADJUSTED. WE ALSO UNDERSTAND THAT THE WITHDRAWAL OF THE \$40 MILLION IN THE REVOLVING FUND WAS A CONCESSION TO GOYER.
ENDERS UNQUOTE ROBINSON

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, FINANCE, MILITARY AIRCRAFT, CONTRACTS, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Draft Date: 24 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE127876
Document Source: CORE
Document Unique ID: 00
Drafter: EUR/RPM:COL ROBINSON
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760201-0911
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760519/aaaaaqnj.tel
Line Count: 92
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 OTTAWA 2017
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 02 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 APR 2004 by CollinP0>; APPROVED <05 APR 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: LOCKHEED LRPA CONTRACT CANCELLATION
TAGS: MILI, CA, LOCKHEED
To: NATO BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006